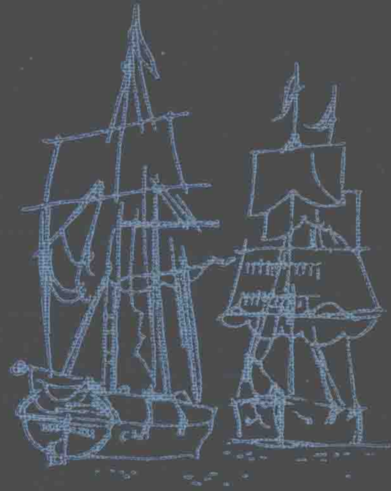
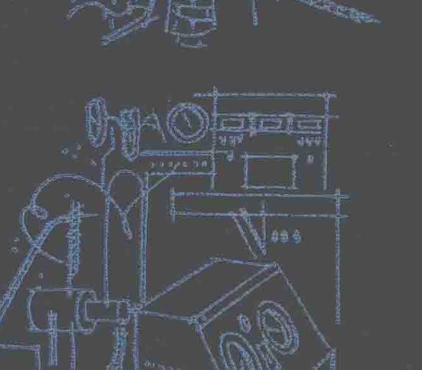
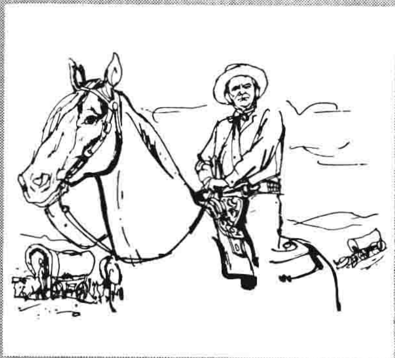
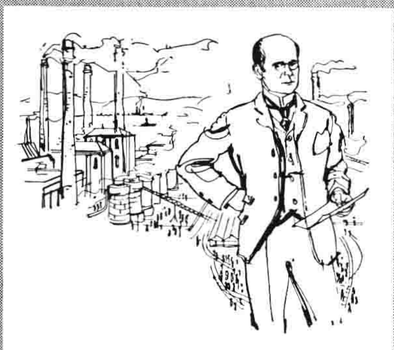


An Economic History of the United States

FITE • REESE







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Preface

Since the history of any nation is a blend of social, economic, political, and other factors, it follows that we must understand the economic development of our country to understand its history. Moreover, the steadily increasing complexity of our modern economy makes a knowledge and understanding of economic development of paramount importance. Many of the modern problems in business, labor, agriculture, money and banking, government, and other phases of our economic life become more easily understood against a solid background of information on the nation's earlier economic development and behavior. To be sure, a knowledge of economic history is by no means a perfect guide to present or future policies and action, but without this understanding of causes and relationships the formulation of sound policies is almost impossible.

The unifying theme of this book is the gradual rise in personal income and the marked improvement in the standard of living of the American people. Today the United States outproduces any other nation, and our citizens enjoy the highest standard of living of any people in the world. Moreover, our great productive potential is one of our main resources in the continuing international crisis. The development of American productive capacities and the attainment of high living standards is an important and fascinating story.

Economic factors, however, are not the only important or motivating forces in human life. Economic wants are strong, but men are also moved by religion, politics, morals, ethics, and other influences. Economic history, then, is a record of one of the many facets of Man's life which constitute the fabric of history. Students have sometimes complained that history has no interest or meaning, that it is merely the rattling of dead, dry bones of human experience; mere echoes from the graveyard. This attitude has resulted partly from the fact that so much history has been nothing but a narration of facts. The facts of history are highly important. However, to know the number of commercial ships sailing the high seas, for example, is only an exercise in memory. The significant thing is to understand how these ships help solve Man's economic or other wants and problems. When the facts of history are related to the problems which concern mankind, whether in past or present generations, they take on a meaning, interest, and value unimagined by most students.

Throughout this text, especially in the more recent period where statistical data are more reliable, we have made liberal use of tables, graphs, and charts. A properly drawn graph can show at a glance, and often more clearly, what might take several pages of text to describe or explain. Indeed, it is felt that the entire illustration program, by providing students with visual concepts of the material closely integrated with the text, is a functional teaching and learning device. It should be realized, however, that many of the statistics are only reasonable approximations. This is particularly true of those on economic growth in the colonial and early national periods, since at that time there was no systematic program for collecting economic data. Nonetheless, the statistics do provide an indication of economic trends.

In addition to the abundant illustrations, summaries and suggestions for further reading are given for each chapter and an annotated bibliography is included at the end of the text. A student's manual is also available which includes a summary of each chapter with questions on the material in the chapter. Throughout the book, we have tried to present the subject matter so that it will be of maximum interest and benefit to undergraduate students.

In order to treat recent economic changes and developments in more detail, approximately 60 percent of the book is devoted to the post-Civil War period. The years since 1865 have seen the rise of big business, big labor, big agriculture, and big government. How each of these developed, and the relationships among them, receive particular attention. Where we know from teaching experience that certain problems and concepts are difficult for beginning or even more advanced students, we have given these matters special consideration. For example, many students find it difficult to cope with our banking and monetary systems of the past and present. Aware of this, we have sought to increase student understanding by including simple illustrations and elementary examples.

Throughout the nineteenth century, agriculture was the most significant segment of our economy. Moreover, farm exports were largely responsible for producing the income with which Americans could pay for needed imports. Because of agriculture's over-all economic importance in the nineteenth century economy, it has received somewhat more attention than customary. In contrast, when industry began to surpass farming as an income producer, emphasis is shifted to the reasons for, and results of, American industrial predominance. Certain economic problems which have been persistent, such as the regulation of business, monetary and banking policies, and the farm problem, have received a detailed description and analysis.

There is no way by which any particular segment of history may be isolated, and economic history is no exception. Economic developments in the United States often have been influenced by political action, or lack of it. Therefore, brief political surveys are introduced periodically to show the governmental framework in which the economy operated.

Finally, if it is true that economic behavior is the result of a most complex set of relationships, no single approach or interpretation of American economic development is likely to prove entirely satisfactory. Nevertheless, in combining the disciplines of economics and history, we introduced many of these relationships as clearly and meaningfully as possible.

Many individuals have contributed greatly to the improvement and completion of this text. Donald J. Berthrong, History Department, University of Oklahoma; James H. Shideler, History Department, University of California at Davis; Albert K. Steigerwalt, School of Business Administration, University of Michigan; and Norman A. Graebner, History Department, University of Illinois, read parts of the manuscript and made helpful suggestions. Most of all we are indebted to W. Nelson Peach, Department of Economics, University of Oklahoma, and Lewis E. Atherton, Department of History, University of Missouri, for their many keen in-

sights and stimulating criticisms. To our clerical assistants, Mrs. Sarah Reese, Mrs. Bernice Harris, Mrs. Jerry Wilson, and Mrs. Josephine Soukup, we are most appreciative.

University of Oklahoma
March, 1959

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said, "has greatly crept in among us." In 1774 some 200,000 bushels of wheat and 280,000 barrels of flour were exported from Philadelphia. This was a high point in the Colonial Period for supplying world markets with these commodities. John Adams declared in 1775 that the Thirteen Colonies produced livestock far beyond their domestic needs as well as a surplus of a million bushels of wheat and more than a million bushels of corn, plus millions of pounds of tobacco and rice.

Southern tobacco planters were heavily in debt to British merchants but this was nothing new. Actually, English commercial policies after 1760 had not struck any new blows at Southern economic interests. Except for the depression period that followed the French and Indian War, tobacco brought reasonably good returns. Other Southern staples were in great demand. Only 151,049 pounds of indigo were shipped from Charleston in 1748 but by 1773 this had increased to 794,150 pounds. Total exports from the Carolinas to England jumped from £382,366 in 1763 to £456,513 in 1773. In the decade before 1775 large numbers of slaves were imported into the Southern Colonies, and rice, indigo, and naval stores brought good prices. It must be remembered, however, that selling and distribution costs were high, and that farmers and planters only realized a part of the value of their crops.

New England merchants, who had been hard hit by the Sugar Act and Townshend Acts, also enjoyed prosperity in the early 1770's. The rum and molasses trade flourished. Exports to England from New England were £128,003 in 1773 compared to only £71,253 ten years earlier. Profits were excellent from transporting and distributing goods and commodities of all kinds. Industries which had become well established earlier expanded at a rapid rate in the early 1770's. Distilleries, flour mills, iron furnaces shoe-making, and textiles all showed remarkable growth. As early as 1768 around 80,000 pairs of shoes were being manufactured annually at Lynn, Massachusetts. There were actually more iron forges and furnaces in the Thirteen Colonies by 1775 than in England and Wales.

The westward movement was pushing steadily onward during the pre-Revolutionary War years, as settlers occupied new lands all the way from Vermont to Georgia. Between 1760 and 1775 some seventy-four new towns were established in Vermont. Land speculation companies were formed by the dozens in the 1760's, and after 1768, when the Proclamation Line was shifted further west, additional impetus was given to migration and land speculation. With the adoption of liberal licensing policies, fur traders ranged far beyond the Appalachians in search of the rich pelts.

Restless pioneers were moving steadily toward the Forks of the Ohio. George Croghan wrote in 1770 that "all this spring and summer the roads have been lined with waggons moving to the Ohio," and by 1771 there were around 10,000 families in western Pennsylvania. At the same time settlers were moving into the Watauga River Valley in the northeastern part of Tennessee. James Robertson led a number of families to this region in the spring of 1771 and within two or three years, there were several hundred families in eastern Tennessee. But tongues of settlement were licking even farther westward. In 1774 James Harrod laid out a town in the Kentucky Bluegrass region, and the next year Judge Richard Henderson established Boonesborough.

The relative calm which followed repeal of the Townshend acts in 1770 was shattered three years later when Parliament passed the Tea Act. This measure was designed to rescue the nearly bankrupt East India Company by giving it special concessions for selling tea in the Colonies. The Company could sell tea directly in Colonial markets at a price only about half as high as that charged by American merchants. Even

MAJOR BRITISH LAWS AFFECTING THE COLONIES (1760–1774)	
Proclamation Line, 1763	Townshend Acts, 1767
Sugar Act, 1764	Tea Act, 1773
Paper Money Act, 1764	Intolerable or Coercive Acts, 1774
Stamp Act, 1765	

American smugglers could not meet the low price of ten shillings a pound. Colonial consumers did not object to cheap tea, but merchants and smugglers bitterly resented the special favor given to the East India Company. The principle of a trade monopoly threatened their very business existence. American importers, especially smugglers, viewed this as a threat to free enterprise and consequently, they were driven into the ranks of the anti-British radicals. Patriot leaders were not only concerned with the economic implications of the Tea Act, but they felt it represented a British political victory over Colonial rights. New York merchants complained that "what Parliament could not Fleece from us by Taxes, the Crown will by Monopoly." When a large amount of tea arrived at Boston, a group of citizens faintly disguised as Indians threw it into the harbor.

The Boston "Tea Party" was a direct threat to British authority. The time had come when England must meet the challenge of Colonial disobedience or give up all pretense of imperial authority. Parliament was determined to uphold British power and in March and May, 1774, a series of laws were passed known as the Coercive or Intolerable Acts. The Intolerable Acts provided for closing the port of Boston until the East India Company had been paid for the loss of its tea; restrictions were placed upon town meetings in Massachusetts and members of the council were made appointive instead of elective, thereby reducing self-government in the colony; and the Administration of Justice Act permitted British officials accused of crimes in connection with the performance of their duties to be tried in another colony or in England away from the hostility of the local population. In response to these measures, the radicals in Massachusetts and elsewhere called the First Continental Congress the following September. By April, 1775, the battles of Lexington and Concord had been fought, and the Colonists were drifting rapidly toward independence which was declared on July 4, 1776.

To just what extent were economic factors responsible for the final break with England? This is not an easy question, or one which can be answered precisely, because economic factors were so closely interrelated with matters of political rights and freedom. However, most authorities agree that economic differences between the Colonies and the Mother Country were a major cause of the American Revolution.

As the British sought to tighten their economic controls over the Colonies after 1760, Americans concluded that English mercantilist policies were detrimental to their economic welfare and growth. The prohibition against printing paper money, the Proclamation Line of 1763, the Sugar Act, the Stamp Act, and the Townshend Acts all had an adverse effect upon some elements in the Colonial economy. It is most important to remember that the thirteen American colonies had developed a mature economy by the 1760's, and they objected to the English policy of keeping them perpetually in an inferior position. The British system of control and administration was not suitable for a well-developed economy, and English statesmen failed to work out policies which would recognize the Colonies as equals.

The Colonists did not revolt because they were oppressed and poverty-stricken. Most Colonials were probably better off than the masses in England. Yet, British restrictions and regulations came to be viewed as a threat to future economic expansion and prosperity. As mentioned earlier, good times in New England and the Middle colonies had come largely from trade and commerce outside the British Empire.

The economic freedom enjoyed by the Colonists before 1760 was partly responsible for a growing nationalism in America. A new type of Englishman was being produced, especially on the frontier where people were far removed from contacts with, and control by, the Mother Country. Experienced in self-government and mature economically, the Colonists finally revolted to free themselves from the British imperial system.

The American Economy During the Revolution

To declare independence was one thing, to achieve it was something else. In the first place, at least one-third of the Colonists did not favor the break with England and another third was more or less neutral and indifferent. Some of the Loyalists fled the country, but many of them remained, collaborating and giving assistance to the British. The lack of a militant patriotism by a large majority of the people was a serious handicap to the American cause.

Besides this, the Americans had no strong central government to organize the war effort and to give the country efficient executive leadership. The Second Continental Congress, organized in 1775, served as the central government until the Articles of Confederation was adopted in 1781. The Continental Congress was a cumbersome and inefficient organization which lacked the power to deal adequately with wartime problems. The demands of war are such that government is called on to intervene in the economy much more than in peacetime. This was especially the case in World War I and World War II. But even in the Revolutionary War, the government was faced with difficult economic problems which required action and power. The principal economic problem in wartime is to produce and distribute enough goods and services to meet both military and civilian needs. This of course involves finding ways to finance the demands of war, a responsibility which can only be met by government. But without a strong and widely supported national government, these economic problems at times threatened the Revolutionary cause.

Compared to England, the manpower and developed economic resouces of the revolting Colonies were relatively small. By 1775 the white population of the Colonies was less than 3 million in contrast to about 9 million in England. Besides superior numbers, the British also possessed a strong navy and had command over adequate resources, including the means of raising sufficient money to carry on the war. It must be remembered that the Colonists were revolting against the world's greatest power. However, the British were handicapped by their great distance from America at a time when communication and transportation were poor. Moreover, the English failed to act quickly and decisively in using their superior strength in putting down the revolt. British lethargy, along with some effective American military resistance strengthened by foreign aid, were among the important factors in the Revolution's success.

The Colonists had made practically no effort to prepare for war prior to the outbreak of hostilities. Consequently, Colonial soldiers lacked both guns and powder in 1775 and 1776. Better preparation and organization of Colonial productive capacities could have changed this picture. Although manufacturing was yet largely in the handicraft stage, American industrial output was fairly adequate in a number of fields. For example, the Colonists had enough capacity for iron production to meet both civil and military requirements. During the earlier Indian wars, cannon and shot had been made in the Colonies. However, until 1777 most of the powder and many of the guns had to be imported, and at times there were desperate shortages. Eventually, however, the Colonists were able to produce most of their arms and ammunition.

Production of other manufactures was also expanded. Textile output was adequate to meet most American needs and the lack of clothing for the army was due more to poor financing and distribution than to skimpy supplies. During the Revolution, there was a gradual transition in textile production from homespun manufactures to the household industries organized by merchant-employers. Under this so-called putting-out-system, the merchants distributed cotton, flax, or wool to the workers who spun yarn or homespun cloth. The merchants then paid for the labor on the finished products in merchandise or cash.

Both the Continental Congress and various states made attempts to encourage manufacturing of articles which were in short supply. Some states offered bounties and premiums for the production of specified commodities, and certain skilled workers were exempted from military service. Domestic manufactures became more popular during the Revolution because it was patriotic to use goods made at home. Moreover, many foreign commodities were not available in sufficient quantities in the early years of the war. The manufacture of articles in the Colonies was stimulated, too, because the war protected producers against foreign competition and thus had the effect of a protective tariff.

When shortages continued, despite unusual efforts to increase output, the states themselves took action. Pennsylvania and Virginia made armaments and North Carolina established iron furnaces and slitting mills. These state-operated enterprises were not very successful. Nonetheless, manufacturing generally expanded during the Revolution, although apart from the putting-out-system there were no major changes in organization and methods of production until several years after the war.

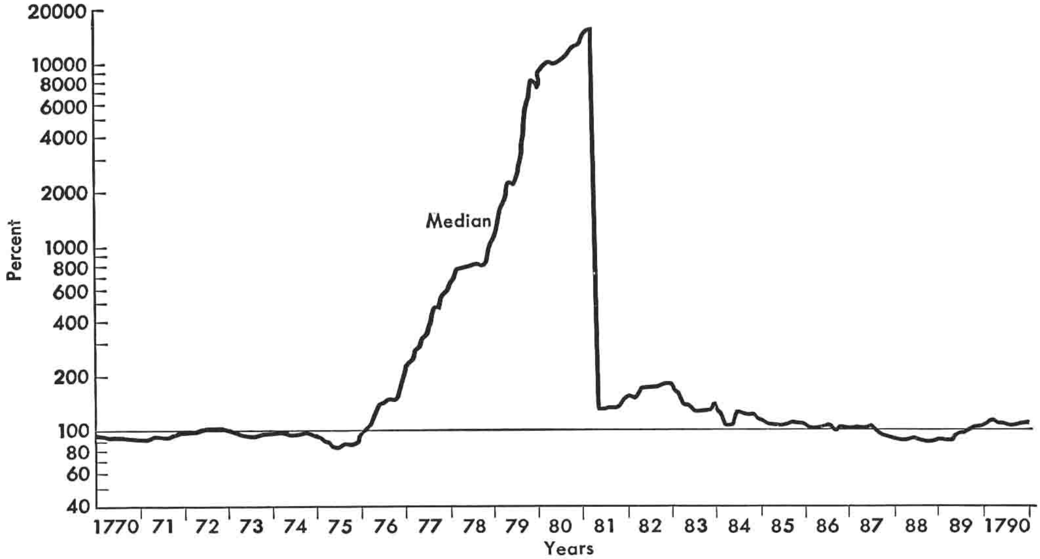
American commerce suffered severely during the early years of the Revolution. After a period of non-importation and non-exportation in 1774 and 1775, Congress opened American ports to all nations, except England, in April, 1776. However, the British blockade of northern seaboard towns greatly reduced commercial activity. Shipping and fishing were hard hit and the whaling industry was nearly ruined. Commercial centers like Boston and Philadelphia suffered heavily from exorbitant prices on the one hand and unemployment on the other. At the same time, however, privateering was a very successful enterprise, especially during the first two years of the war. Rich prizes of guns, ammunition, clothing, and other supplies which were captured brought huge profits to those who evaded British frigates. Massachusetts privateers took over 1,000 prizes during the Revolution, but by the close of the war British warships had captured and driven to cover hundreds of privateers.

After 1778 Colonial trade expanded rapidly as Admiral Howe made little effort to interrupt or restrict American commerce. As a consequence large quantities of British and other foreign goods found their way to American commercial centers. An important provision of the alliance made with France in 1778 was a commercial agreement. The demand for British manufactured goods was so great, despite the war against England, that merchants took great chances to supply

FIGURE 6.1

Median of Monthly Wholesale Prices of Fifteen Commodities in Philadelphia, 1770–1790

(Base is monthly average, 1771–1773)



Source: Anne Bezanson, *Prices and Inflation during the American Revolution,* University of Pennsylvania Press, 1951.

the markets. Goods were brought in by smugglers and traders who followed circuitous routes to evade the weak British blockade. English manufactures were imported from the British, Dutch, French, and Spanish West Indies where American grain, lumber, and tobacco were exchanged. American armies did not suffer because supplies were wanting, but because internal transportation and congressional financing were so inadequate.

Since the principal economic activity in the Colonies was farming, it is important to look at the effect of the war on agriculture. The Revolution did not bring about any basic changes in American farming, although some phases of agriculture enjoyed prosperity and expansion. The increased demand for most farm commodities resulted in high prices and inflated land values. The dollar value of farms in New Jersey, for example, was estimated to be twice as great in 1778 as in the period between 1765 and 1775. New England farmers were scarcely affected at all by enemy military action, and times were reported to be good up to 1780, at least for the larger farmers. Connecticut furnished huge supplies of meat and grain, along with horses for army transport. Yet, the natural disadvantages for agriculture in New England did not permit many farmers to make the large profits of which they were accused. Most New England farmers were small operators and had only a meager surplus for sale at any price.

New Jersey and Pennsylvania farmers had more contact with British armies and there were times when property losses were sustained. This was more than offset, however, by the demands for farm produce by both British and American armies. Patriotism was not strong enough to keep farmers from accepting British gold for their commodities instead of the depreciated continental currency. Farmers sometimes held their grain and meat for higher prices and were bitterly criticized for seeking monopolistic prices. However, the shortage of food in Washington's army was due more to poor transportation than any other single factor. Meat supplies were often short because of the great scarcity of salt. Spasmodic efforts were made during the war to conserve grain, and both Maryland and Massachusetts passed laws forbidding its distillation. John Adams reported that some people wondered, as they did in World War I and World War II, if "people should eat bread or drink whiskey."

Staple crop producers in the Southern Colonies probably suffered most from the war. Tobacco exports were drastically reduced, although some blockade runners did reach European markets. One authority has estimated that only about 87 million pounds of tobacco were exported from Virginia during the period from 1776 to 1782. This was less than had been exported in the single year of 1771. The specie price of tobacco remained relatively low as late as 1780, although prices in terms of paper currency were high. Rice was exported to France, the West Indies, and elsewhere, but in small amounts when compared to the prewar period. Generally, however, rice producers were better off than tobacco growers. Indigo production soon declined because the British subsidy was removed and being a non-food product it was not in such heavy demand. When the British armies occupied Savannah and Charleston in 1779 and 1780 there was considerable destruction of farm property and loss of slaves. It has been estimated that during the Revolution South Carolina lost 25,000 slaves and Virginia 30,000. However, the presence of British armies increased the demand for some agricultural commodities, and nearby farmers received good prices. North Carolina made outstanding contributions to the Colonial food supply by furnishing large quantities of livestock and livestock products.

The over-all effect of the war on American agriculture then was by no means uniform. Farmers who were near American or British troops, or who could sell to the French forces, profited handsomely if they had sufficient surpluses for sale. They benefited from their favorable location and from the fact that British and French authorities usually had specie with which to buy farm products. This was especially profitable for farmers in times of run-away inflation. As previously mentioned, however, southern planters who were dependent upon export markets were hard hit. Undoubtedly, some farmers charged exorbitant prices and made unreasonable profits, creating sharp conflicts between farmers and city dwellers, but they were no more guilty in exploiting purchasers than merchants and manufacturers. Robert Morris, the so-called financier of the Revolution, made large profits from war contracts and declared unashamedly that there had never been a more favorable opportunity "of making a large fortune."

Farmers who prospered during the Revolution did so because the cost of production and living expenses did not go up as rapidly as agricultural prices. Therefore, farm commodities had a relatively high purchasing power in relation to non-farm goods. In terms of the twentieth century parity problem, some farmers in the Revolutionary war period were in a favorable position. For example, livestock growers profited because prices were high, yet the cost of production was little different than before the war. In some areas farmers also benefited from rapid increases in land values. The large farmers in the Northern states benefited most from the war because they had surpluses for which there was a strong demand.

Financing the Revolution

The greatest economic problem facing the Colonists during the fight for independence was their inability to raise sufficient funds. War can be financed by taxation, borrowing, printing paper money, or by a combination of the three methods. In the first place, the

Continental Congress did not have the power to levy taxes, but had to rely on the states for requisitions. Due to public opposition, the state governments did not dare to levy enough taxes to meet the needs of war. Having objected so strenuously to British taxation, it is not surprising that the Colonials refused to saddle themselves with burdensome wartime levies. A few states were modestly successful in raising revenue from taxes, but, on the whole, taxes were light and very poorly collected. Even where a state did attempt to raise money by tax levies, as in Massachusetts during 1778 and 1779, very little of the money found its way into the treasury of the Continental Congress.

One of the most common ways of financing modern wars is by borrowing. However, this was not practical during the Revolution. Wealthy people were hesitant to make loans to the government because the Revolution's outcome was so uncertain. Moreover, the Colonists did not have large amounts of surplus capital for investment in government bonds or certificates, and, furthermore, people simply were not in the habit of investing in this type of security. In the latter part of the war Congress was able to borrow around $7,700,000 in specie by selling continental certificates. These certificates were similar to a modern government bond and bore a specified rate of interest. A slightly larger amount was borrowed from foreign countries, principally France which loaned the Americans $6.4 million.

The principal means of financing the war was by printing paper money. From 1775 to 1780 paper money was used almost exclusively to meet war needs. But after 1780, foreign and domestic loans, and requisitions on the states, reduced the need for further issues. Between 1775 and 1779, some $241 million in continental currency was issued. The peak of paper money output came in 1779 when 14 different issues totaled $140 million. Speaking of the flood of paper money, one person said: "We are now in the kingdom of imagination." The total amount was never in circulation at one time since some of the currency was redeemed and in 1779 Congress voted to limit the circulation of its bills of credit to $200 million. Besides the continental bills, the states issued a total of $209 million in paper money. The state bills contributed more fuel to the fires of inflation, although this type of paper money did not depreciate as much as the continental currency.

The continental currency consisted of bills of credit issued in anticipation of tax revenues with which they might be redeemed. Since tax collections were so meager, and the issues were so large, people soon lost hope that the bills could ever be exchanged for specie. Consequently, the paper currency declined drastically in relation to gold and silver. For example, in January, 1781, wheat brought a little over six shillings a bushel in specie, but the price in terms of continental currency was 600 shillings a bushel. By 1776 the continental bills had begun to decline in value and by late 1779 their specie value was only about two cents on the dollar. In March, 1780, Congress finally took official notice of the tremendous depreciation and set the value of continental currency at 40 to 1 in relation to the Spanish silver dollar. This had the effect of reducing the national debt in terms of specie from $200 million to about $5 million. However, even this action did not stop continued depreciation of the currency and by 1781 it was valued at 100 to 1, and subsequently became almost completely worthless.

Inflation and Attempted Government Controls

Since Congress did not have enough tax revenue or borrowing power, paper money undoubtedly served a useful purpose in supplying enough currency for an expanding wartime economy. The difficulty, however, was that Congress failed to limit the amount issued. Perhaps Congress had no alternative but to print more and more bills of credit in order to meet the pressing needs for money, but the result was spiraling price rises and run-away inflation which did not complete its course until about 1781. Iron prices, for instance, jumped 111 percent in one month from January to February, 1779. In April bar iron was quoted at £800 a ton in paper money, but it was £1917 a ton by December. As mentioned earlier, by January, 1781, wheat sold for 600 shillings a bushel and scores of other commodity prices followed this inflationary pattern. Short supplies were responsible for the high prices of some commodities such as sugar and salt, and hoarders and speculators added to the difficulties, but most of the rampant inflation came from overabundant paper bills.

Uncontrolled inflation placed a severe handicap on Congress as it sought to supply the armies. Farmers and merchants either charged excessive prices for goods, or, in some instances, refused to sell at all for paper money. By January, 1781, Pennsylvania farmers simply refused to accept continental currency for their wheat. As indicated earlier, farmers often sold grain and meat to the British who could pay in gold while Washington's troops went hungry. Severe criticism of those gouging the public and the government had little or no effect in changing business practices as most citizens sought to make as much as possible out of wartime conditions.

Rapidly increasing prices provided opportunities for tremendous profits. To make a large return it was only necessary to hold commodities and wait for prices to rise. When a merchant could obtain goods which were scarce, he was in a position to charge all the traffic would bear and reports of 600 and 700 percent profit were common. This condition created a class of new rich who saw nothing inconsistent between patriotism and profiteering. Public denunciation of profiteers, especially those dealing in food products, was loud and bitter but it had little effect. The *Boston Gazette* said on April 6, 1778, that "thousands of widows, orphans, and poor people are ground almost to death by the greediness of avaricious merchants, monopolizers, farmers, sharpers, (and) forestallers."

Although some people benefited from the paper-money splurge, it was hard on those with fixed incomes. Most laborers, for example, experienced a decline in purchasing power as prices rose faster than wages. There were even a few strikes during the Revolution as gunsmiths and carpenters left their jobs after demands for higher pay had been refused. Soldiers, government workers, and other salaried employees also suffered. Ministers prayed that they would be paid in produce rather than in depreciated currency. The effect of price rises in terms of the cost of living can be seen in the statement of a New York delegate to the Continental Congress. "In the years 1775 and 1776," he wrote in August, 1779, "board and lodging were at four dollars per week [in Philadelphia] exclusive of liquors, it is now at 100 dollars per week." A lesser government official complained that his $160 a month salary would buy no more than $3.50 in specie. Depreciation of the currency was a kind of forced or indirect tax, but it fell most heavily on those least able to pay. It was presumed that the government received full value of the currency when it was first issued, but it declined in value when passed to the next party, thus having the effect of making the one who accepted it contribute indirectly to the government. Benjamin Franklin declared that "every man has paid his share of the tax according to the time he retained any of the money and to the depreciation within that time."

As hardships from inflation increased, there was a growing demand for price and wage controls. A meeting of New England delegates at Providence in December, 1776, recommended that ceiling prices be set on wheat, corn, pork, shoes, cloth, coffee, and numerous other commodities. New Hampshire passed such a law which became effective February 1, 1777. But within a short time it was obvious that the measure was ignored more than it was obeyed. "Little notice was taken of the act," wrote one contemporary, and in November the law was repealed. Meanwhile, in February, 1777, congressional debate over price controls showed a sharp division over the value and practicality of this type of government intervention in the economy. John Adams opposed the principle, as did Dr. Benjamin Rush who argued that the best means of curbing inflation was to stop issuing paper money, to increase taxes, and to raise the interest rate.

However, the pressure of inflation prompted Congress to recommend that the states meet to consider price-control laws. In January, 1778, delegates from the New England and Central states met at New Haven. Resolutions were adopted asking that prices of certain manufactured goods should not be higher than 75 to 100 percent above the levels of 1774. The next month Connecticut passed a law based on these recommendations, and Pennsylvania, New York, and New Jersey enacted similar measures. But these laws proved futile, and in June, 1778, Congress recommended their suspension or repeal. "It hath been found by Experience," said the resolution, "that Limitations upon the Prices of Commodities are not only ineffectual for the Purposes proposed, but likewise productive of very evil consequences to the great Detriment of the public Service and grievous Oppression of Individuals." After another year of astronomic price increases Congress again recommended in 1779 that the states pass price-control laws, but nothing was done. Among the reasons price controls failed were the lack of enforcement, failure to pass uniform laws by the different states, and the ease with which goods could be bought and sold in adjoining colonies. Other attempts to control inflation included laws forbidding hoarding and forestalling, and measures prohibiting the export of certain commodities. These measures were also largely ineffective.

The Post-Revolutionary War Period

Despite the hardships suffered by some individuals and businesses during the Revolutionary War, the economy was fundamentally stronger in 1783 than ten years earlier. Some Americans recognized this condition even during the war. Writing in April, 1777, a Massachusetts merchant said: "though our money has depreciated, the internal strength of the country is greater than when the war began. . . . And though many individuals suffer, yet the farmer and the bulk of the people gain by the war." Several years later Robert Morris wrote that "the prospect of peace has given more general discontent than anything that has happened in a long time; particularly among the mercantile part of the community." And speaking of farming, John Adams wrote: "The truth is, that agriculture . . . [has] been so much increased by war, that it is much to be doubted whether they [Americans] ever fed or clothed themselves more easily or more comfortably." The Revolution had actually stimulated most types of businesses and had favored capitalistic enterprise. It encouraged speculative business practices, emphasized large-scale operations, and created new ideas for investment and production.

The prospect of independence for Americans indicated the promise of continued prosperity. In the months before the Treaty